

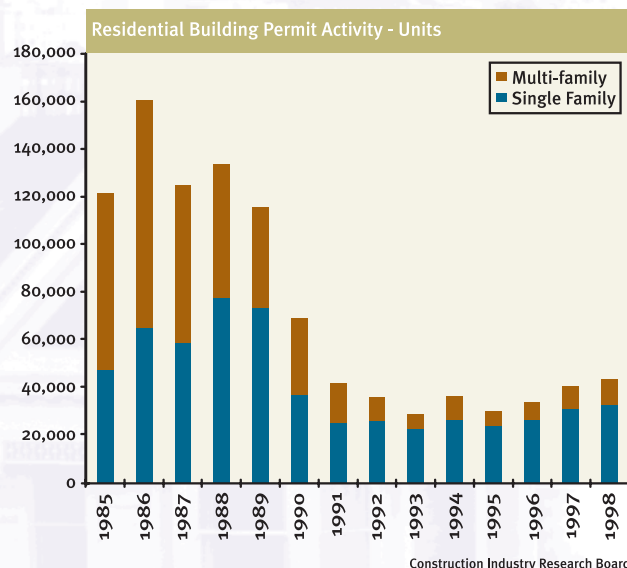


Housing

Housing construction is an important source of employment and corporate profit in the region. Additionally, the availability of reasonably-priced housing is one of the key determinants of the region's attractiveness and competitiveness.

Residential building, measured by new units in building permits, declined sharply in the region from its high point in 1986 and continued to be weak throughout the 1990s. The number of permits increased by 12 percent in 1996 and by almost 20 percent in 1997; however, the increase in 1998 was only 7.6 percent higher than the previous year. The total number of permits issued in 1998 was still over 70 percent below the 1986 total.

Figure 11



Housing

Table 10

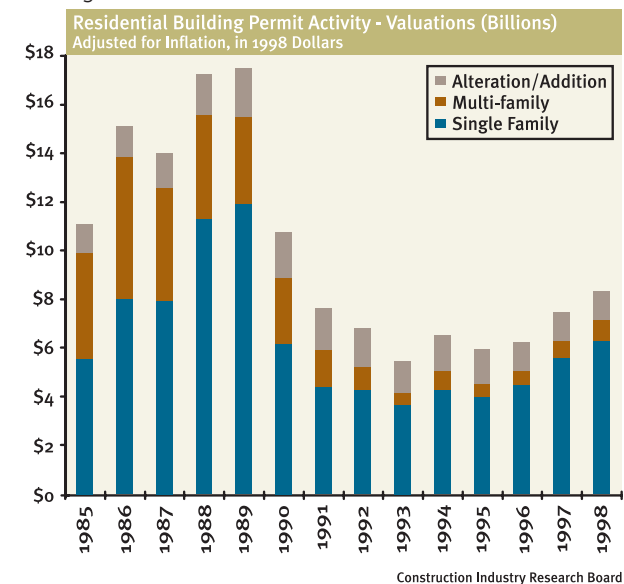
Average Annual Housing Units Needed (1994-2000) and Housing Units Authorized by Building Permits (1996-1998)							
Number Authorized by Building Permits							
County		1996		1997		1998	
		Number	% of Need		% of Need		% of Need
Los Angeles	61,745	8,607	14%	10,424	17%	11,543	19%
Orange	20,513	10,207	50%	12,251	60%	10,043	49%
Riverside	21,037	7,499	36%	9,784	47%	12,512	59%
San Bernardino	22,261	5,014	23%	5,593	25%	6,120	27%
Ventura	5,574	2,353	42%	2,316	42%	3,182	57%
Total	131,150	33,680	26%	40,368	31%	43,400	33%

* July 1 estimate for year by State of California, Department of Finance

** Forecast based on 1996 estimates by cities, may not concur with other sources.

According to a 1998 SCAG study on Southern California's affordable housing needs, with an analysis provided by the UCLA Advanced Policy Institute, the number of housing units being built does not meet the housing need. The estimated annual housing units needed in the region are 131,150 between 1994 and the year 2000 (excluding Imperial County). However, as shown above, less than one-third of the total annual units needed annually have been authorized to be built for each of the last three years. In 1998, the difference between the average annual number of new housing units needed and the new housing units authorized by building permits ranged from a deficit of 41 percent in Riverside County to an astounding deficit of 81 percent in Los Angeles County.

Figure 12



Housing

The total 1998 housing building permit valuations (the approximate cost of construction) is less than half the permit valuations of ten years ago. There was a healthy 20 percent increase in valuations between 1996 and 1997. However, the increase between 1997 and 1998 was much smaller, at 11 percent.

It is important to note that permits for single family construction accounted for 50 percent of the total in the early 1980s, with permits for multi-family construction totaling over one third of the total during that period. The rest of the permits were for alterations and additions. However, in recent years, single family construction has accounted for a larger portion of the total. In 1998, 76 percent of all permit valuations were for single-family construction. Multi-family construction accounted for only 14 percent of the total. Alterations and additions have made up a larger share of the market since 1991. Construction activity in additions and alternations account for a good portion of permit valuations - between 15 percent and 25 percent.

In 1998, housing valuations in the region were \$6.3 billion for single-family homes; \$.8 billion for multi-family homes; and \$1.2 billion for additions and alterations.

HOMEOWNERSHIP

The 1996 homeownership rate in the country was 65.4 percent, the highest since 1981. The West had the lowest rate among the four regions in the country. The 1996 national homeownership rate was highest for White householders, at 69 percent, and lowest for Hispanic householders, at 43 percent. However, current housing studies indicate an

increasing number of buyers to be from various ethnic backgrounds and/or born outside the country. As the age of the householders increases, so does homeownership rates. Householders 65 to 69 years old had a homeownership rate in 1996 of 82 percent, compared to 18 percent for those under 25 years old. The rate for married-couple family households was 80 percent, compared with 48 percent for other types of family households.

Table 11

Homeownership in the Nation, 1996	
Midwest	71%
South	68%
Northeast	62%
West	59%

Source: U.S. Bureau of the Census

According to the National Association of Realtors, an estimated 4.8 million housing units sold nationwide in 1998, the highest level in thirty years since the organization began tracking sales in 1968. In Southern California, the median price paid for a home in 1998 was \$184,000, a 8.9 percent increase from the 1997 median price of \$169,000. However, home prices are not as strong throughout the region as in 1990 and 1991. Although the median price in Orange County has regained its 1990 peak, the 1998 price in Los Angeles County was still 9.6 percent below the 1990 peak. At year-end, home prices in Orange County were at

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an all-time peak and sales were at the highest level in a decade. Median prices for 1998 rose 13 percent to \$226,000, the most rapid increase in Southern California. Prices in Orange County are expected to continue rising, as home construction does not meet demand.

The affordability and location of quality housing affect a region's ability to maintain a viable economy. Potential employers look at a region's housing affordability when considering relocating or expanding their businesses.

HOUSING AFFORDABILITY

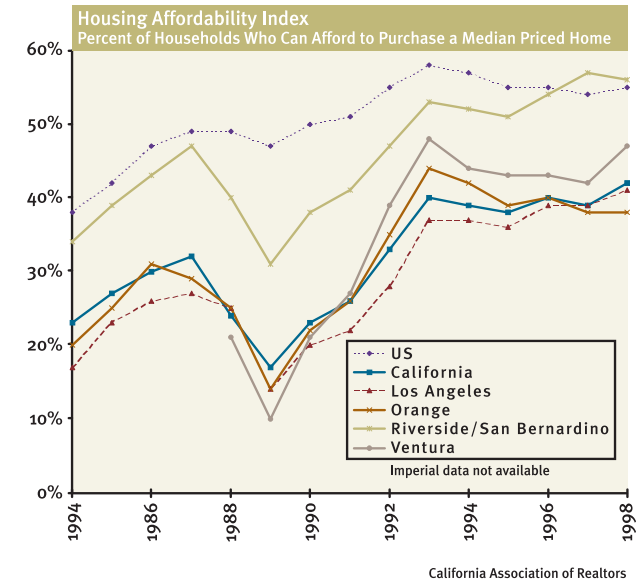
About half of all families in the nation could not afford the median-priced house in their area in 1993 (the latest figures available). The West had the highest percentage of families and unrelated individuals who could not afford a modestly priced home.

Table 12

Housing Affordability in the Nation, 1993 Percent of Population Who Could Not Afford a Modestly Priced Home in Their Area	
West	58%
Northeast	52%
South	50%
Midwest	45%

Source: California Department of Finance and SCAG

Figure 13



Housing

The low rate of residential construction activity during the 1990s, combined with the current and projected growth in jobs and population, will result in increased demands placed on the housing market. The end of rent control also may have sharp affordability implications for some parts of the region. Thus, many Southern Californians will continue to face overcrowding and housing affordability problems, which can contribute to homelessness.

Fifty-five percent of households in the nation can afford to purchase a median priced home. Only the counties of Riverside and San Bernardino have surpassed that number, with 56 percent of households in the two counties able to

purchase a median priced home. The percentage of households who can afford the median priced home in Los Angeles County rose slightly in 1998 from the previous year, 39 percent to 42 percent, while Orange County remained at 38 percent, the same as the previous year. Lack of affordable housing contributes to overcrowding and forces low income tenants into housing which does not meet minimum building code standards.

(Please see Housing under Metropolitan Regions for housing units authorized, home ownership, and median monthly housing costs by metropolitan areas.)